



Miami-Dade County Board of County Commissioners

Office of the Commission Auditor

Legislative Analysis

Regional Transportation Committee

Wednesday, June 8, 2005

9:30 AM

Commission Chamber

Charles Anderson, CPA
Commission Auditor

111 NW First Street, Suite 250
Miami, Florida 33128
305-375-4354

LEGISLATIVE ANALYSIS

ORDINANCE AMENDING ORDINANCE NO. 02-116 GOVERNING USE OF CHARTER COUNTY TRANSIT SYSTEM SURTAX; AMENDING MAINTENANCE OF EFFORT REQUIREMENT AND MODIFYING EXHIBIT 1 TO THE PEOPLE'S TRANSPORTATION PLAN; PROVIDING SEVERABILITY AND AN EFFECTIVE DATE

Miami-Dade Transit

I. SUMMARY

This ordinance proposes amending the Peoples Transportation Plan (PTP) in an effort to fund deficits for services that were provided by Miami-Dade Transit prior to the passage of the PTP, and associated .5 cent "Surtax", on November 5, 2002.

II. PRESENT SITUATION

On November 5, 2002 the citizens of Miami-Dade County approved a .5 cent Surtax to fund enhancements and expansions to the Transportation and Transit systems within the County in an attempt to try and alleviate traffic congestion.

The Surtax generates approximately \$160 million annually.

In conjunction with the passage of this Surtax, the Board of County Commissioners approved a plan and project list know as the "Peoples' Transportation Plan" containing a timeline and associated funding formula referred to as the "Pro-forma".

Subsequent to the passage of the PTP Surtax, it was revealed that Miami-Dade Transit was running a deficit of approximately \$23.9 million for services that were in existence prior to November 5, 2002. This deficit was the result of historic shortfalls with reference to the County's General Fund Subsidy to MDT, known as the Maintenance of Effort (MOE).

Further, in order to adequately fund the deficits for "pre-existing" services through 2011, MDT would require an infusion of \$142.8 million.

Because it was assumed that the PTP Surtax was to pay for "new" and enhanced services, some have been reluctant to utilize the Surtax for services that existed prior to its' passage.

In January of 2005, the Board approved a plan, by the County Manager, amending the PTP, in an attempt to utilize a current surplus in Surtax monies to offset the deficit for pre-existing services. This plan was vetoed by the Mayor.

As a result of this veto, the Manager has developed a new plan which is outlined in this agenda item.

June 8, 2005

III. POLICY CHANGE AND IMPLICATION

Issue	Original Proposal	Current Proposal
Amount Requested to Cover Deficit Through 2011	\$142.8 million	\$118.9 million (the CITT offered up to \$150 million given certain conditions) *This excludes the \$23.9 for FY 2001-2002 deficits
Annual Increase in MOE	3.50%	3.5% (For first 12 years, the actual visible increase to the MOE is only 2%. The additional 1.5% is being utilized to repay the loan from PTP Surtax) Attachment 2
Annual Increase in contribution to the PTP from LOGT	1.50%	1.50%
Source of Funding for pre-existing service and future service shortfalls	PTP Surtax	Loan from PTP Surtax
Method of Repayment	Increase in MOE by 3.5%, per year, plus base year increase of \$2 million	Repays a Loan from existing Surtax Revenues with future GF increases plus 3% interest
Term of Repayment	There was no loan. However, the amount of funds utilized for pre-existing, and future, service deficits would have been made whole by 2011 given the 3.5% Increase in the MOE	Loan would be repaid over 12 Years, inclusive of 3% interest. (Dependant on Amount Borrowed)
Increase in GF Subsidy to MDT FY 2004-2005 Budget	\$2 million	\$5,129 million
Basic Adult Fare Increase Schedule	25 cents - 2007 / 25 cents - 2012 / 50 cents - 2017 / 50 cents - 2022	25 cents - May 1, 2005 (In 2007 MDT needs to come back to the BCC for additional 10 cents to meet Pro Forma projections) The additional rate increase schedule remains the same.
Enforceability	Resolution, which could be changed via a motion of the BCC	Ordinance requiring a Public Hearing by the BCC in order to amend.

- With regards to the original \$23.9 million deficit for FY 2001-2002, the Manager proposes to repay this amount separately through efficiencies and possible land sales.
- These efficiencies cannot be guaranteed. Especially with the annual increases in fuel costs and salaries.

June 8, 2005

IV. ECONOMIC IMPACT

This Ordinance would allow MDT to borrow, **up to \$150 million** in current PTP Surtax surplus funds, in order to cover deficits in funding for services which were provided prior to November 5, 2002 through 2011. (The surplus is due to Surtax monies that have built up prior to the start of Major Capital Programs such as the North Corridor project and the East/West Corridor project.)

The re-payment of these monies shall be made over 12 years with 3% interest.

V. COMMENTS AND QUESTIONS

The County should consider the buying power of this \$118.9 million.

Given the increases in land values over the past few years (16.5% in the past year alone), the increases in the cost of fuel, and increases in the cost of construction materials, every year that these monies are not fully re-paid, the County can buy fewer products for the same monies.

Example

If the County could buy 100 parcels of land along a proposed corridor for \$100 million.

In ten years, the County may only be able to buy 40 of those same parcels for \$100 million.

**** Since the payback occurs over 12 years with 3% interest, the County will never realize the value of these monies in "Today's Dollars".**

Further, this plan proposes increasing the base level MOE to \$123,171,000 for the FY ending Sept 30, 2005. **(This was the level the MOE was originally budgeted at for FY 2001-2002)**

What about the losses incurred between FY 2001 and FY 2004 as a result of the County's' failure to properly fund MDT's Maintenance of Effort?

Although the County cannot retroactively budget more dollars for those years, the County should set the FY 2004-2005 MOE level at \$123 million plus the CPI level increases in subsequent years until the present.

LEGISLATIVE ANALYSIS

RESOLUTION WAIVING FORMAL BID PROCEDURES AND PROVISIONS OF SECTION 2-8.1(B) CODE OF MIAMI-DADE COUNTY AND APPROVING AGREEMENT WITH PARSONS/ODEBRECHT JOINT VENTURE (POJV) FOR A MANAGING GENERAL CONTRACTOR CONTRACT FOR THE NORTH TERMINAL DEVELOPMENT CONSOLIDATION PROGRAM AT MIAMI INTERNATIONAL AIRPORT; AUTHORIZING AVIATION DIRECTOR OR DESIGNEE TO EXECUTE ANNEXES AND WORK ORDERS; AUTHORIZING COUNTY MANAGER TO EXECUTE SAME AND EXERCISE CANCELLATION AND OTHER PROVISIONS CONTAINED THEREIN; AND WAIVING THE REQUIREMENTS OF RESOLUTION NO. R-377-04

Miami-Dade Aviation Department

I. SUMMARY

This Resolution would approve an awarding of a Contract with **Parson/Odebrecht Joint Venture (POJV)** as the Managing General Contractor for the North Terminal Development Consolidation Program (North Terminal).

II. PRESENT SITUATION

North Terminal Timeline

1993 – The Metro Dade County Board of County Commissioners agrees to build a new terminal known as “Super A” at the north end of the Miami International Airport.

- As part of the agreement, American Airlines agreed to:
 - Boost the number of flights out of MIA.
 - Hire thousands of people with preference given to former employees of *United* and *Eastern Airlines*.

1994 – Dade County approves and begins coordinating a decade long Capital Improvement Program (CIP) for MIA.

1995 – *May 19* – Metro Dade Commissioners approve plan to build **\$910 million** North Terminal.

October 3 – BCC approves Lease, Construction, and Financing Agreement (LCFA) with American Airlines to oversee construction of North Terminal for **\$974.9 million**. (Up \$64 million from original estimates)

1997 – American Airlines brings in Corgan Terminal Designers and Turner Austin Airport Team to oversee development of North Terminal.

1999 – *July 27* – County approves American Airlines’ request an increase of \$330 million for additional costs. **New Total: \$1.304 Billion**

RTC ITEM 3(C)

June 8, 2005

2001 – *September 11* – Airline Industry feels negative effects of the events of this day.

2002 – *January* – County approves the elimination of a 250 flight-per-day requirement for American Airlines.

February – American Airlines seeks an additional \$320 million for cost overruns.

March – After highly publicized dispute over cost overruns, and threats by American Airlines to pull out of the project, the County and AA agree to an increase of \$211 million. **New total: \$1.515 Billion**

- **At this time, American Airlines vows not to come to the County for more money.**

2004 – Former Aviation Director suggests that Miami-Dade County should take over management of the North Terminal Project.

June – Director Gittens writes memo to County Manager suggesting that the North Terminal is another \$87 million over budget and is 18 months behind schedule. (States again that the County should take over the project).

- **MDAD is put on Management Watch**

July – American Airlines refuses to accept responsibility for \$66 million of the additional overruns.

- American Airlines and Miami-Dade County begin negotiation regarding additional cost overruns.

July – The County and American Airlines come to an agreement.

New Project Total: Estimated \$1.62 Billion

October – Former Director Gittens is stripped of oversight over construction projects at MIA.

November – Director Angela Gittens resigns.

2005 – *February 9* – Miami Herald reports that interim Aviation Director Dr. Carlos Bonzon states actual cost overruns for North Terminal may be in area of \$256 million.

May 26 – Board of County Commissioners' Regional Transportation Committee Approves item allowing for Miami-Dade County to assume control over management of the North Terminal Project from American Airlines.

New estimate for total project cost: Over \$2 Billion.

III. POLICY CHANGE AND IMPLICATION

This Agenda Items would waive requirements of Resolution No. 377-04 related to contract effective date and ability of Board to reconsider said contract.

Further, this items requests a waiver of Florida Statutes 255.20(c) with regards to Public Contracting.

IV. ECONOMIC IMPACT

This agenda Item estimates it will require an additional \$542,041,500 in order to complete the North Terminal Project.

Parsons Odebrecht is guaranteed a minimum earned fee of \$17.3 million, up to \$36.7 million for oversight of this project.

V. COMMENTS AND QUESTIONS

None